



BANISTER
CONTINENTAL LTD.

ANNUAL REPORT

This reports
the new fiscal year
for the nine
month period
ended
December 31, 1983.

FOREWORD

Banister Continental Ltd. is a Canadian construction company specializing in large-scale energy developments, subways, bridges, tunnels, highways, hydroelectric dams, cross-country pipelines, distribution and gathering systems, underground utilities, and marine work. Major projects have been completed in Canada, the United States, and the Middle East.

Banister was founded in 1948 and became a public corporation in 1969. Banister Continental Ltd. shares are listed on the Toronto, Montreal, Alberta, and American Stock Exchanges.

In 1983 Banister joined with Bechtel Canada Limited, Trimac Limited, and Bond Architects and Engineers Limited to form Bantrel Group, Engineers & Constructors. Headquartered in Calgary, Bantrel Group specializes in engineering, procurement, and construction services for the petroleum sector.

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ANNUAL MEETING

The annual meeting of shareholders of Banister Continental Ltd. will be held in the Rowand Room of the Four Seasons Hotel, 10235 -101 Street, Edmonton, Alberta, at 10:00 a.m. on May 30, 1984.

Shareholders who would like to receive, without charge, a copy of the Corporation's Form 10-K Report to the Securities and Exchange Commission should address their requests to the Corporate Planning & Business Development Department, Banister Continental Ltd., P.O. Box 2408, Edmonton, Alberta, T5J 2R4.

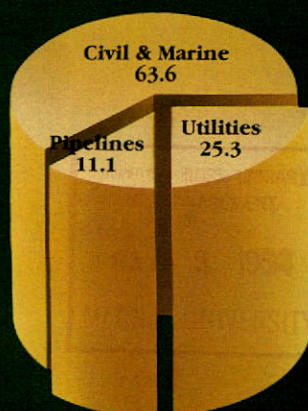
NEW FISCAL YEAR-END

The Board of Directors of Banister Continental Ltd. has changed the Corporation's fiscal year-end from March 31 to December 31. Accordingly, this annual report reflects the Corporation's operating results for the nine-month period beginning April 1, 1983 and ending December 31, 1983. Future annual reports will also reflect a December 31 fiscal year-end.

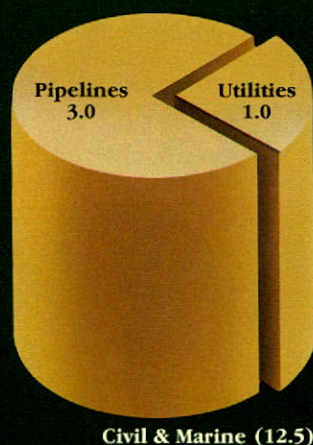
FINANCIAL REVIEW

	Nine Months Ended December 31, 1983	Year Ended March 31, 1983
Revenue	\$99,945,000	\$258,858,000
Net income (loss)	\$(4,183,000)	\$ 4,058,000
Net income (loss) per share:		
Basic	\$ (.83)	\$.85
Fully diluted	\$ (.83)	\$.84
Common shares outstanding	5,038,023	5,038,023
Cash and short-term deposits	\$20,959,000	\$ 24,896,000
Working capital	\$ 6,124,000	\$ 7,973,000
Bank and similar indebtedness	\$22,942,000	\$ 13,834,000
Total shareholders' equity	\$41,956,000	\$ 46,139,000
Dividends per common share	\$ —	\$.60
Total assets	\$90,682,000	\$ 97,054,000
Total backlog	\$44,800,000	\$ 85,200,000

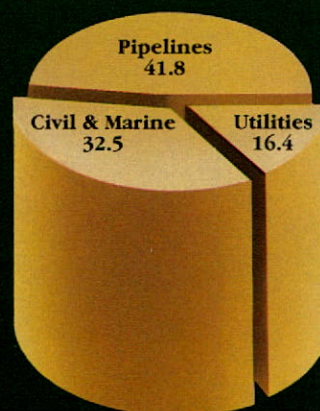
1983 Division Revenue
Millions of Dollars



1983 Division Operating Profit
Millions of Dollars



1983 Division Identifiable Assets
Millions of Dollars



TO OUR SHAREHOLDERS:

- The Corporation's balance sheet remains sound, as does our ability to respond to future engineering construction challenges.



R.K. Banister (right), Chairman & Chief Executive Officer, and W.M. Bateman (left), President & Chief Operating Officer.

During the year the Directors of the Corporation authorized a change in the fiscal year-end from March 31 to December 31. This annual report reviews the nine months operating results ended December 31, 1983. There were two main reasons for implementing this change. Our previous year-end was in tune with spring breakup in the pipeline construction sector. The Corporation is now multi-disciplined within the construction industry and we no longer have the traditional slack period in the spring to carry out year-end accounting functions. Having the fiscal and calendar year end simultaneously is less confusing and conforms to the manner in which most major corporations report their earnings.

For the nine months ended December 31, 1983, the Corporation is reporting a loss of \$4,183,000 on revenues of \$99,945,000. This is a sharp decrease in financial performance from the profitable previous year. Of some solace to shareholders may be the fact that we accurately forewarned in last year's annual report about the depressed state of our industry. Recent Statistics Canada data indicate that construction activity fell to its lowest level in more than a decade during 1983. This condition persists; however, we believe 1984 will be a stronger year for our industry and your Corporation.

Detailed operating results indicate that the single reason we experienced a loss for the year was a further deterioration in our 50% interest in Dalcen Constructors, the consortium building a 2760-megawatt hydroelectric project at Revelstoke, British Columbia. In fact, Banister has had to absorb over 50% of the deficit because project losses caused one of the joint venture partners to default. The

- **A highlight for the year was the formation of Bantrel Group, Engineers & Constructors.**
- **We believe 1984 will be a stronger year for our industry and your Corporation.**

project required Banister to take a further write-down of \$11,300,000 this year. The total project loss, including partners' interest, approximates \$100 million. We believe the massive losses experienced on the Dalcen project are unprecedented in the history of the construction industry in Canada. We also believe that the ultimate financial position on the project will be better than the position reported herein. The project is 98% complete and will be completed on schedule in August of this year. Dalcen recently submitted a claim to the owner, British Columbia Hydro, in excess of \$112,000,000. No portion of this claim is reflected in this year's results. Successfully resolving this critical issue is the number-one priority of the Corporation.

Banister Continental Ltd. operates in three divisions, Banister Pipelines, Pitts Engineering Construction, and Cliffside Pipelayers.

Banister Pipelines had a profitable year, although the amount of work completed decreased dramatically from the record performance of the prior year. Pitts Engineering Construction completed a reduced volume of work at a break-even level. Cliffside Pipelayers remains the Corporation's most consistent financial performer, experiencing a profitable year similar to the previous year. Shareholders should note that the Corporation's three ongoing business segments are all profitable.

Shareholders will recall that we won a jury award of U.S. \$12,800,000 in February, 1983 relating to a pipeline constructed in Oregon in 1981. This matter is scheduled for trial in the Court of Appeals of the State of Oregon on May 4, 1984. Management is optimistic that the original jury

award will be affirmed, thus bringing the matter to a successful resolution this year. None of the funds from the jury award have been included in our financial results.

This year the Directors authorized several management changes. The most significant was the appointment of R. MacTavish as executive vice president of the Corporation and president of the civil and marine division.

A highlight for the year was the formation of Bantrel Group, Engineers and Constructors. We view this as a logical and evolutionary step in the continuing development and diversification of Banister's engineering construction capabilities. Bantrel is an Alberta-based company owned by the following entities: Bechtel Canada Limited — 40%, Trimac Limited — 25%, Banister Continental Ltd. — 25%, and Bond Architects and Engineers Limited — 10%. The group specializes in engineering, procurement, construction, and construction management for oil sands upgrading plants, offshore production facilities, and other infrastructure associated with the petroleum sector in Canada. Bantrel is headquartered at Trimac House in Calgary and can draw upon the proprietary skills of its shareholder companies, including Bechtel Group Inc. of San Francisco. At the time of this writing Bantrel has several proposals outstanding. We believe Bantrel will be an important addition to the industry in Canada and will contribute to Banister's financial success.

Trimac Limited maintained its twenty-percent ownership in the Corporation, but did not exercise its option to purchase additional shares. Banister and Trimac continue to have common interests, including Bantrel Group.

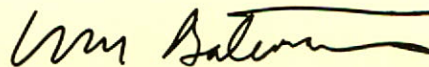
We successfully bid and were awarded new projects during the year in Vancouver, Fort Simpson, and Ottawa, which will be described later in this report. What will not be reported is the considerable number of major projects on which we finished as second bidder. Despite the fact we have obtained new work, our backlog is reduced and our construction capabilities remain underutilized. We have taken the opportunity afforded by this downturn to examine our assets. Surplus equipment is being disposed of and other equipment is being serviced and repaired to be ready to meet future client demands.

The Corporation's balance sheet remains sound, as does our ability to respond to future engineering construction challenges. We believe the Banister Construction Group will have an improved year in 1984 and we look forward to reporting same.

Respectfully submitted on behalf of the Board,

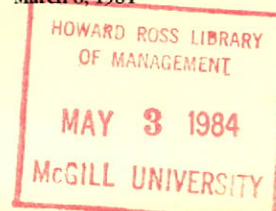


R.K. Banister
Chairman and
Chief Executive Officer



W.M. Bateman
President and
Chief Operating Officer

March 8, 1984





CIVIL AND MARINE ENGINEERING CONSTRUCTION

- **Pitts has been awarded contracts for new projects in Vancouver, British Columbia and Ottawa, Ontario.**
- **The Corporation is pursuing new work in the mining and offshore energy sectors.**

Civil and marine construction operations are carried out across Canada, including the northern and Arctic regions. The Corporation's civil and marine division, Pitts Engineering Construction, has forty-two years experience in a wide range of projects. With capabilities for both land and marine operations, Pitts specializes in large-scale energy developments, bridges, highway interchanges, subways, dams, tunnels, docks, wharves, and dredging work.

A number of projects were successfully completed during 1983. The largest of these was located in Whitehorse, Yukon and involved construction of a 20-megawatt powerhouse with intake, tailrace, and associated structures. Valued at approximately \$35 million, the Whitehorse project was completed in December, 1983 for Northern Canada Power Commission.

More than 7,000 kilometres away, another important project reached completion in St. John's, Newfoundland. The "Syncrolift" marine elevator and service platform is one of the most modern ship repair facilities in the world. It is designed to raise vessels of up to 90 m (300 feet) in length from the water and move them to individual repair berths. Pitts completed this project in September, 1983, two months ahead of schedule, for Newfoundland Dockyard, a division of Canadian National Railway.

During the summer Pitts was called upon for emergency construction following collapse of a highway bridge during flood conditions. A 1 km detour and temporary bridge were completed in seven days for Parks Canada to

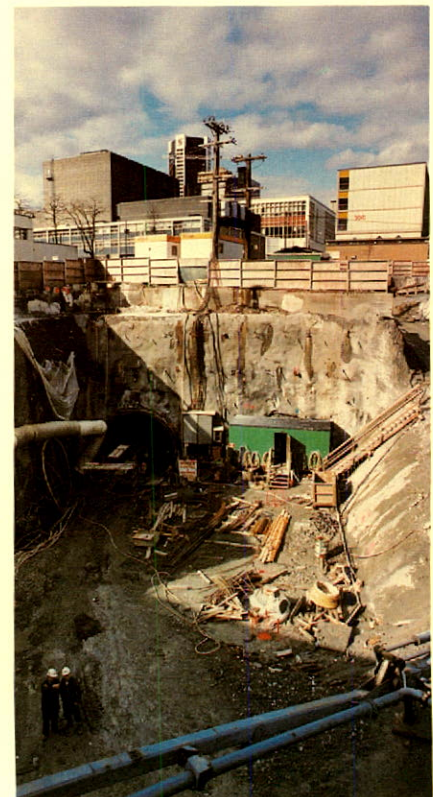
- **The volume of civil and marine construction work available for tender in Canada is increasing.**

reopen the Trans Canada Highway in British Columbia.

Other projects completed during the year included cofferdam excavation at the Long Spruce Generating Station for Manitoba Hydro; demolition, cofferdam construction, and rock excavation to repair a powerhouse at Bishop's Falls, Newfoundland for Abitibi-Price Limited; and dredging contracts in Lake Erie, Toronto Harbour, and Placentia, Newfoundland for Public Works Canada.

In July, 1983, Pitts' dredge *Canadian Jubilee* was used to carry out a new type of work. The Manitowoc 3900 crane on the dredge's deck removed and replaced a faulty propeller on a drilling rig

Excavation and portal for the first of two subway tunnels, part of Vancouver's ALRT system. Modifications to an existing tunnel and construction of a subway station will also be carried out.



LEFT:
The Whitehorse power project on the Yukon River was completed by Pitts in December, 1983. The new powerhouse unit (upper right) will generate 20 megawatts.

located off Newfoundland's east coast. Repairs were successfully completed while the rig remained in deep water.

The civil and marine construction division has been awarded contracts for new projects in Vancouver, British Columbia, and Ottawa, Ontario. The Vancouver project, awarded by Metro Canada Limited, is part of the new Advanced Light Rapid Transit (ALRT) system. Work includes machine-boring two tunnels in rock, modifications to an existing railway tunnel, and construction of a subway station and elevated guideway. This part of the ALRT system will provide transportation to and from the new B.C. Place Stadium. Completion of the project is scheduled for December, 1984.

Two projects are currently under way in Ottawa. Pitts began work in November on a bridge over the Rideau River for the Regional Municipality of Ottawa-Carleton. The bridge will be 240 m (800 feet) long and 30 m (100 feet) wide and is scheduled for completion in June, 1985. The second contract is for construction of a utility tunnel beneath the Rideau Canal to connect the Chateau Laurier Hotel with Parliament Hill steam and cooling systems. This project will be completed in June, 1984 for Public Works Canada.

Work continued during 1983 on the Corporation's joint venture project on the Columbia River near Revelstoke, British Columbia. Pitts is manager and 50% partner of Dalcan Constructors, the consortium building a concrete gravity dam and 2760-megawatt powerhouse for B.C. Hydro. The project

was 98% complete at December 31, 1983 and proceeding on schedule to final completion in August, 1984.

The demands of the Revelstoke project upon the Corporation's financial, technical, and personnel resources have been unrelenting. The sheer magnitude of work has presented a challenge: in total, approximately 2.3 million cubic metres (3 million cubic yards) of concrete have been poured.

Since construction began at Revelstoke in 1979, the Corporation has encountered inflation, unprecedented high interest rates, strikes, and lower than expected productivity. Design changes, increased quantities, and acceleration of the work have contributed to higher than expected costs. For the nine months ended December 31, 1983, the Corporation recorded a loss of \$11,300,000 on this project. This brings the Corporation's share of the total write-down on the Revelstoke project to \$49,400,000. A detailed and comprehensive claim for reimbursement of additional costs has been submitted to the owner; resolution of this claim is hoped for in fiscal 1984.

Pitts has entered into a joint venture arrangement to bid on the Narmada Dam project in India. This project is similar in scope and nature to the Revelstoke project. A second joint venture has been formed to submit a tender to Canadian Pacific Railway for the Rogers Pass Tunnel in British Columbia. Work includes approximately 15 km (9 miles) of concrete-lined railway tunnel, a ventilation shaft, and numerous bridges. These contracts will be tendered during 1984.

Although competition remains intense for civil construction projects, the volume of available work is increasing. Major marine construction contracts will be tendered during the coming year in Ontario, Quebec, and the Maritimes. The Corporation is also pursuing new work in the mining and offshore energy sectors.

OPPOSITE:

A concrete gravity dam and 2760-megawatt powerhouse near Revelstoke, British Columbia are now 98% complete. The powerful Columbia River, currently channelled through the spillway, will soon generate electricity in the powerhouse.



In September, 1983 Canadian National's vessel, Astron, became the first ship raised by the "Syncrolift" marine elevator and repair facility in St. John's, Newfoundland.



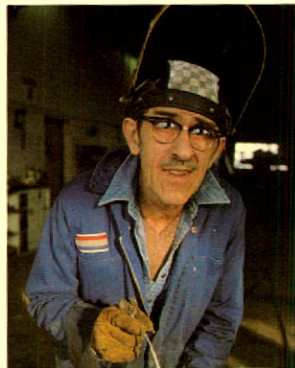
Pitts' Canadian Jubilee replacing a thruster on a semi-submersible drilling platform in Conception Bay, Newfoundland. This is a new line of work for our marine fleet in the Maritimes.

Dredging Toronto Harbour's east channel, a project completed for Public Works Canada.



PIPELINE CONSTRUCTION

- Banister Pipelines' operations were again profitable in 1983.
- The Corporation continues to bid on pipeline projects in Canada and internationally.



Equipment being serviced in Edmonton in preparation for a pipeline crossing of the Mackenzie River near Fort Simpson, Northwest Territories: sideboom prepares to load dozer blade; maintenance under way on a cable spooler; welding a dragline bucket chain. Long-term maintenance staff ensure that only reliable, fully serviced equipment is mobilized to remote locations.

Banister began as a pipeline construction firm and pioneered many of the techniques which have become standard in the industry. Since 1948 Banister Pipelines has built thousands of miles of pipeline, both in Canada and internationally. In addition to large-diameter pipeline construction, for which the Corporation is best known, Banister also installs pipeline river crossings, constructs distribution and gathering systems, and upgrades existing pipelines.

Although operations were again profitable, 1983 was a disappointing year for Banister Pipelines. An acute shortage of pipeline construction work resulted from the continued slump in the Canadian oil and gas industry. Following last year's record revenues and earnings, the Corporation's pipeline resources became underutilized in 1983.

During the summer, Banister Pipelines constructed 18 km (11 miles) of 114 mm and 168 mm (4-inch and 6-inch) glycol pipeline in southern Alberta for Union Carbide Canada Limited. A unique aspect of the project was that one of the lines was stainless steel pipe requiring special welding procedures.

Cleanup operations were carried out in 1983 for a major pipeline project near Ottawa, Ontario. Banister built 190 km (118 miles) of 914 mm (36-inch) natural gas pipeline as part of TransCanada PipeLines' "North Bay Shortcut" during 1982.

The pipeline division has been awarded a contract for a crossing of the Mackenzie River near Fort Simpson, Northwest Territories. This project — part of the Norman Wells to Zama Lake oil pipeline — was awarded by Interprovincial Pipe Line (NW) Ltd. Drilling and blasting were carried out in

- The division has been awarded a contract for a crossing of the Mackenzie River near Fort Simpson, Northwest Territories.

February, with the major portion of the work scheduled for the summer of 1984.

Since entering the U.S. pipeline construction market in 1966, the Corporation has completed a wide variety of projects outside Canada. These include several projects in the Middle East, where operations began in 1975. During the past three years Banister has concentrated on pipeline construction in Canada, while continuing to bid on international projects.

In 1980-1981 the Corporation's U.S. pipeline division constructed a major project for Northwest Pipeline Corporation in Oregon. Following completion of the 177 km (110-mile) natural gas pipeline, Banister submitted claims for reimbursement of additional costs. When negotiations failed to resolve the dispute, Banister filed suit against Northwest Pipeline Corporation for breach of contract.

The matter went to trial late in 1982 and on February 13, 1983 the Corporation was awarded U.S. \$12.8 million by jury verdict. Northwest Pipeline Corporation subsequently appealed the verdict; a decision on the appeal is expected in 1984. Until such time as the award is received or a settlement reached, no part of the claim will be recorded in the Corporation's financial statements.

The downturn in the Canadian construction industry has, unfortunately, proved symptomatic of conditions worldwide. The Corporation continues to bid on the limited work available in Canada and internationally. An overall recovery in the oil and gas industry is needed to restore the pipeline construction market.



Banister's best pipeline work cannot be detected when final cleanup is completed. Workers meticulously groom right-of-way during final stage of TransCanada Pipelines' "North Bay Shortcut" project.



Banister Pipelines built 18 km of dual glycol pipelines in southern Alberta during 1983. One of the lines was stainless steel pipe requiring special welding procedures.

UTILITIES CONSTRUCTION

- Cliffside succeeded in offsetting reduced volumes of work through diligent management of overhead and equipment costs.
- A hydrostatically controlled trenching machine has been designed and built by Cliffside crews.

The Corporation's underground utility construction operations are carried out by its Cliffside Pipelayers division. Cliffside has been in business since 1957 and is Ontario's largest underground utility contractor. Gas and oil distribution systems, telephone, electric, and cable television lines, water mains, storm drains, and sewers are installed throughout Ontario, with the largest volume of work performed in the Metropolitan Toronto area.

Cliffside's operations were again profitable in 1983. The division succeeded in offsetting reduced volumes of work through diligent management of overhead and equipment costs. On a proportionate basis, Cliffside's revenues and earnings for the nine months ended December 31, 1983 exceeded those for the previous fiscal year.

Cliffside crews installed underground utilities in urban and suburban areas of Ontario during 1983. In addition, two small-diameter pipeline projects were completed. Cliffside installed 14 km (9 miles) of 324 mm (12-inch) natural gas line near Whitby, Ontario for Consumers Gas. In Oakville, 6 km (4 miles) of oil pipeline were completed for Petro



Cliffside crews persevere in spite of wet weather during installation of a natural gas line near Whitby, Ontario.

- **Cliffside maintains its leading position in Ontario's utility construction market.**

Canada Limited. This second project consisted of three 324 mm lines installed in a common trench.

A new milling centre was recently purchased to upgrade Cliffside's manufacturing operations. Cliffside designs and manufactures custom field tools used in underground utility installation. Under the name Footage Tools, Cliffside products are also marketed nationally.

Late in 1983 Cliffside completed its most ambitious manufacturing project to date — a hydrostatically controlled trencher. This machine was designed by Cliffside personnel to excavate trenches up to 2 m (6 feet) deep for installation of underground utility services. The trencher's unique features are maximum ease of operation and fewer moving parts requiring maintenance.

Cliffside's new trencher is the latest addition to a line of specialized machines, designed and built by the Banister Construction Group, which includes the Model 7-10 Arctic ditcher. It is also an example of the initiative, creativity, and skill which enable Cliffside to maintain its leading position in Ontario's utility construction market.



Installation of three oil pipelines in a common trench for Petro Canada near Oakville, Ontario.



Trenching machine designed and built by Cliffside Pipelayers goes into operation almost before the paint is dry.

OUTLOOK

- Activity is increasing in the construction industry and the market is expected to improve.
- The Corporation looks forward to improved revenues and earnings in fiscal 1984.

The Canadian economy remained unfavourable for capital projects in 1983. Construction activity was therefore reduced as work continued to be deferred or cancelled. Competition for all available work reached unprecedented levels.

Banister management believes that the lowest point of the current recession was reached in 1983 and that recovery began during the latter part of the year. Although competition remains intense, the number of contracts available for tender is increasing. The Corporation expects the construction market to continue to improve. However, it is unlikely pre-recession levels of activity will be reached by the end of 1984.

Volumes of civil and marine construction work are increasing,

particularly in Central Canada and the Maritimes. Pitts will continue to seek opportunities in both traditional and new areas of operation across Canada. International projects are also being pursued by both the civil engineering and pipeline divisions.

Recovery in the oil and gas industry should continue in 1984. The long-term outlook for pipeline construction is, therefore, more promising, although little improvement is expected this year. Banister Pipelines will continue to bid aggressively on the limited amount of work available.

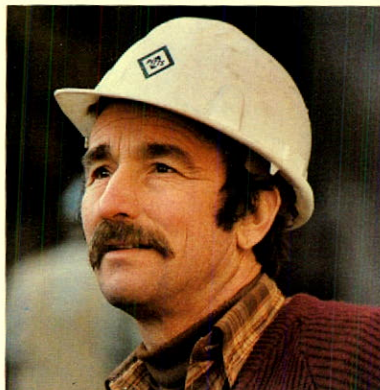
Cliffside Pipelayers forecasts improved revenues and earnings in fiscal 1984. A 20% increase in Ontario's natural gas sales this winter augurs well for Cliffside's gas distribution operations. The

- International projects are being pursued by the civil engineering and pipeline divisions.

housing market has also begun to improve, thereby increasing demand for installation of utility services.

During the coming year the Corporation will concentrate on two major goals. One is to obtain new work and increase the backlogs of all three divisions. The other is to collect outstanding claims on completed construction projects. All operations will continue to dispose of surplus assets and limit overhead costs.

With slow but steady improvement expected to continue in the Canadian construction industry, the Corporation looks forward to improved revenues and earnings in fiscal 1984.





BANISTER CONTINENTAL LTD.

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Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

On August 30, 1983, the Corporation changed the closing date of the fiscal year from March 31 to December 31. The operating results for the nine month fiscal period ended December 31, 1983 are not necessarily indicative of the results to be expected for a full twelve months. Reference is made to the Corporation's summary of significant accounting policies for a description of the comparative financial results for the nine months ended December 31, 1982 and 1981.

For the nine months ended December 31, 1983 the Corporation reported a net loss of \$4.2 million compared to net income of \$4.1 million and \$4.7 million for the years ended March 31, 1983 and March 31, 1982 respectively. The current nine month loss results from an additional \$11.3 million (\$5.6 million net of tax) loss provision taken on the Revelstoke Dam project discussed below.

Construction and service revenue amounted to \$97.5 million for the nine months ended December 31, 1983 compared to \$255.7 million and \$213.8 million for the fiscal years ended March 31, 1983 and March 31, 1982 respectively. The decrease in reported revenue is primarily due to the decline in projects coming to tender as a result of the low rate of activity in the pipeline and civil construction industry in Canada and other parts of the world. No significant increase in activity is expected for fiscal 1984 and, although the Corporation is aggressively seeking new contracts, particularly in Canada, the backlog of construction work at December 31, 1983 has decreased to approximately \$44.8 million compared to \$85.2 million at March 31, 1983, \$94.9 million at December 31, 1982, and a record backlog of \$250 million at March 31, 1982.

In conjunction with the decline in construction revenue, operating expense decreased to \$98.7 million for the nine month fiscal period ended December 31, 1983 compared to \$234.4 million and \$202.1 million for the years ended March 31, 1983 and March 31, 1982 respectively. During the nine months ended December 31, 1983 higher than anticipated operating costs and a further assessment of the costs and revenues to completion of the Revelstoke Dam project resulted in increasing the projected loss. The Corporation's share of this loss increased to \$49.4 million of which a total of \$38.1 million was charged against operating expense in prior years. The additional \$11.3 million provision for loss is included in operating expense for the nine months ended December 31, 1983. Included in operating expenses were loss provisions amounting to \$17.1 million and \$21 million for the years ended March 31, 1983 and March 31, 1982 respectively. Reference is made to Note 14(a) to the Corporation's Consolidated Financial Statements for a description of contingencies related to the Revelstoke Dam project.

Other income for the nine months ended December 31, 1983 decreased to \$2.4 million compared to \$3.2 million for the year ended March 31, 1983 primarily due to the inclusion in the latter period of a refund of pension plan surplus of \$1.8 million. Other income for the current fiscal period is lower than the \$3.6 million reported for the year ended March 31, 1982 primarily due to reduced gains on disposal of fixed assets. Interest income earned during the current fiscal period was higher than in the previous two fiscal periods primarily due to the investment, during the whole nine months of the current period, of approximately \$20 million of surplus funds into short-term deposits. Reference is made to Note 11 to the Corporation's Consolidated Financial Statements for a description of the components of other income.

Depreciation expense decreased to \$3 million for the nine months ended December 31, 1983 compared to \$4.1 million and \$5.5 million for the years ended March 31, 1983 and March 31, 1982 respectively primarily due to the shorter current fiscal period and due to the disposal of surplus foreign equipment in the year ended March 31, 1982.

During the nine months ended December 31, 1983, interest expense decreased significantly primarily due to reduced short-term borrowings (average balance outstanding: 9 months ended December 31, 1983 — \$4.9 million; year ended March 31, 1983 — \$6.3 million; year ended March 31, 1982 — \$27.6 million) and a shorter current fiscal period.

Selling, administrative and general expenses decreased to \$6.7 million for the nine months ending December 31, 1983 compared to \$10.8 million and \$10.1 million for the years ending March 31, 1983 and March 31, 1982 respectively primarily due to the shorter current fiscal period.

The effective income tax rate for the year ended March 31, 1983 was higher than the statutory rate due to losses in the Corporation's U.S. subsidiary for which no tax recovery was provided and expenses which were not deductible for tax purposes. The effective income tax rate for the year ended March 31, 1982 was substantially lower than the statutory rate due to interest income earned by the Corporation's foreign subsidiaries not subject to income tax.

During the year ended March 31, 1982 the Corporation had a recovery of income taxes otherwise payable of \$4.6 million. This amount was recorded as an extraordinary item as it relates to the application of prior years' operating losses, for which no tax recovery was provided, against income earned by the Corporation's U.S. subsidiary. Federal U.S. taxes will not be payable on any future income earned in the U.S. to the extent that tax loss carryforwards, referred to in Note 7, can be utilized.

Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Effects of Changing Prices

In 1982, the Canadian Institute of Chartered Accountants (CICA) issued a pronouncement requiring large publicly-held enterprises to provide supplementary disclosure of current cost adjusted financial information to reflect the effects of changing prices. The Corporation, for its fiscal period ended December 31, 1983, has complied with the CICA reporting requirements for changing prices which closely parallel the objectives of the Financial Accounting Standards Board (FASB) Statement No. 33.

Under the CICA requirements, the financial schedules presented below show the asset and income effects of specific changes in prices and of general inflation on the Corporation's fixed assets and net assets.

Specific price changes for the Corporation's property and equipment provide a measure of the current cost of maintaining the Corporation's productive capacity. Since the Corporation's fixed assets experience relatively little technological change, recent appraisals and supplier quotations were used to estimate the current cost of reproducing the Corporation's existing assets. Compared to the Corporation's historical accounts for the nine months ending December 31, 1983, the provision for depreciation has increased by \$0.5 million to \$3.5 million by depreciating the current cost values of fixed assets over the

useful life assigned to them in the historical accounts, the gain on disposal of fixed assets was reduced by \$0.9 million and the net loss increased from \$4.2 million on a historical cost basis to a net loss of \$5.5 million on a current cost basis. Although the net loss on a current cost basis is greater than the reported historical amount, no adjustment is made to the income tax recoverable reported in the historical cost financial statements.

The loss attributable to common shareholders on a current cost basis in constant dollars includes the increase in the current cost of fixed assets held during the period, net of the effects of general inflation, and the loss in purchasing power of monetary assets as a result of general inflation. The loss attributable to common shareholders on a current cost basis in constant dollars indicates that the general purchasing power of the common shareholders' equity declined by \$5.7 million during the period.

While the information on the effects of changing prices was prepared using valid assumptions, it must be recognized that the CICA recommendations provide for considerable flexibility and that equally valid alternative current cost assumptions could have produced materially different results.

SCHEDULE OF CONSOLIDATED ASSETS ON A CURRENT COST BASIS

As At December 31, 1983

(In Canadian Dollars)

<u>As Reported in the Historical Financial Statements</u>		<u>Current Cost Basis</u>
<u>\$35,758,000</u>	Fixed assets — net	<u>\$45,099,000</u>
<u>\$41,956,000</u>	Net assets (common shareholders' equity)	<u>\$51,297,000</u>

SCHEDULE OF CONSOLIDATED INCOME ON A CURRENT COST BASIS

For the Nine Months Ended December 31, 1983

(In Canadian Dollars)

As Reported in the Historical Financial Statements		Current Cost Basis
\$ 97,495,000	Revenue:	\$ 97,495,000
2,450,000	Construction and services	1,575,000
<u>99,945,000</u>	Other income	<u>99,070,000</u>
98,689,000	Expenses:	98,689,000
2,992,000	Operating	3,456,000
99,000	Depreciation	99,000
<u>6,710,000</u>	Interest	<u>6,710,000</u>
<u>108,490,000</u>	Selling, administrative and general	<u>108,954,000</u>
(8,545,000)	Loss from continuing operations before income taxes	(9,884,000)
<u>(4,362,000)</u>	Income taxes recoverable	<u>(4,362,000)</u>
<u>\$ (4,183,000)</u>	Net loss on a current cost basis	<u>(5,522,000)</u>
	Increase in specific prices of fixed assets held during the period	<u>1,538,000</u>
	Loss attributable to common shareholders on a current cost basis in nominal dollars	(3,984,000)
	Increase in specific prices of fixed assets attributable to the effects of general inflation	(1,488,000)
	Loss in purchasing power of net monetary assets attributable to the effect of general inflation	<u>(209,000)</u>
	Loss attributable to common shareholders on a current cost basis in constant dollars	<u>\$ (5,681,000)</u>

Liquidity

Working capital decreased \$1.8 million from \$7.9 million at March 31, 1983 to \$6.1 million at December 31, 1983. This decrease results from the additional loss provision on the Revelstoke Dam project, partially offset by profitable operations in all other business segments of the Corporation. During the year ended March 31, 1983, working capital increased \$6.3 million primarily due to the profitable performance of Canadian pipeline operations and the issuance of 1,000,000 common shares for \$7.5 million, partially offset by loss provisions taken on the Revelstoke Dam project, the use of working capital for fixed asset additions, and the payment of approximately \$3 million in dividends. Working capital increased approximately \$2.3 million during the year ended March 31, 1982 primarily due to a \$15 million arbitration award on which no income tax was payable due to the utilization of prior year's tax losses, the sale of fixed assets and profitable Canadian pipeline operations partially offset by loss provisions on the Revelstoke Dam project.

Unused lines of credit decreased to \$15.8 million at December 31, 1983 compared to \$25.8 million at March 31, 1983 primarily due to the utilization of credit lines for bank and other indebtedness related to the Revelstoke Dam project. At December 31, 1983 the Corporation has

\$21 million cash and short-term deposits compared to \$24.9 million at March 31, 1983.

The slow recovery from economic recession, referred to in "Results of Operations", has reduced existing backlog to \$44.8 million and has increased competition for the few projects which will be available for tender. The Corporation's liquidity would be favourably impacted by the outcome of contingencies referred to in Notes 14(a) and (b) to the Corporation's Consolidated Financial Statements.

In an effort to conserve working capital, the Corporation is continuing to dispose of surplus equipment and reduce its overhead.

Capital Resources

The Corporation replaces its construction equipment over an extended period of time based on the specific requirements of contracts obtained. In certain situations, the Corporation will rent or lease rather than purchase equipment. Equipment purchased for certain long-term civil construction contracts may be funded by proceeds from mobilization advances received at the beginning of such contracts.

In view of the Corporation's good liquidity situation capital resources are believed to be adequate to meet requirements for 1984.

Consolidated Financial Statements

December 31, 1983 and March 31, 1983 and 1982

Summary of Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada, which, in the case of the Corporation, are not materially different from those generally accepted in the United States. Because a precise determination of many assets and liabilities depends on future events, the preparation of financial statements for a period necessarily involves the use of estimates and approximations. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

Fiscal Year Change

On August 30, 1983, the Board of Directors changed the closing date of the fiscal year from March 31 to December 31. The accompanying consolidated financial statements cover the nine months ended December 31, 1983 and the years ended March 31, 1983 and March 31, 1982. Comparative financial results for the nine months ended December 31, 1983, 1982 and 1981 are reported below:

	Nine Months Ended December 31,		
	(Unaudited)		
	1983	1982	1981
Revenue	<u><u>\$99,945,000</u></u>	<u><u>\$242,081,000</u></u>	<u><u>\$162,181,000</u></u>
Net income (loss)	<u><u>\$(4,183,000)</u></u>	<u><u>\$ 4,900,000</u></u>	<u><u>\$ (4,289,000)</u></u>
Income (loss) per share:			
Basic	<u><u>\$ (.83)</u></u>	<u><u>\$ 1.05</u></u>	<u><u>\$ (1.06)</u></u>
Fully diluted	<u><u>\$ (.83)</u></u>	<u><u>\$ 1.03</u></u>	<u><u>\$ (1.06)</u></u>

Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and its subsidiaries and its pro rata share of assets, liabilities, revenues and expenses of joint ventures. Note 1 to the financial statements summarizes the effect of the joint ventures on the consolidated financial statements.

Translation of Foreign Currencies

The accounts of the Corporation, its foreign subsidiaries and joint ventures stated in foreign currencies have been translated into Canadian dollars using:

- the fiscal year end exchange rates for monetary items which include cash, amounts receivable and payable, and long-term debt;
- exchange rates in effect at the time of the transaction for non-monetary assets, liabilities and deferred credits; and
- exchange rates prevailing during the period for revenues and expenses, except for depreciation which has been translated at rates pertaining to the related assets.

All foreign exchange gains or losses are included in income.

Summary of Significant Accounting Policies (continued)

Accounting for Contracts

Income, from contracts which may extend up to five years, is determined on the percentage of completion basis except that income from contracts of a fixed price nature is not recognized until projects attain a stage of completion sufficient to reasonably determine the probable results. Provision is made for all anticipated losses as soon as they become evident. Claims for additional contract compensation are not recognized until resolved.

Unbilled revenues on contracts in progress are included in accounts receivable. Deferred contract costs represent the excess of costs incurred over the amount of billings on uncompleted contracts. Unearned revenue and contract advances represent the excess of billings over the amount of costs incurred and profits earned on uncompleted contracts and payments received from clients in advance of the performance of the work. Provisions for anticipated losses on uncompleted contracts are deducted from related deferred contract costs with any excess being included in unearned revenue.

Where the Corporation incurs interest costs, interest on the net accumulated expenditures on long-term construction projects is capitalized as a deferred contract cost.

Provision for estimated major overhaul costs for equipment is charged to contract costs as the equipment is utilized.

Land Held for Resale

Land held for resale is valued at the lower of cost and estimated net realizable value.

Fixed Assets

Fixed assets are recorded at cost and are depreciated on the straight line method, after recognition of salvage values ranging up to 30%, over the useful lives of the assets which are estimated to be 10 to 20 years for buildings and 4 to 15 years for construction equipment.

When joint ventures are established to perform single contracts and equipment is acquired for use during the contract to be disposed of upon completion of the contract, the cost of such equipment, net of estimated salvage value, is treated as a contract cost. The original cost of this equipment less estimated salvage value is amortized and charged to contract costs based on the percentage-of-completion method, with the percentage being determined on the same basis as that for income recognition. The unamortized portion of such equipment cost is included in deferred contract costs.

Excess of Cost Over Net Assets at Acquisition

Excess of cost over net assets at acquisition, which resulted from the 1969 purchase of the Banister pipeline operations, is not being amortized since the Corporation does not believe there is any diminution of value.

Income Taxes

Deferred income taxes result from timing differences between financial and tax reporting principally relating to recognition of construction revenues and accelerated depreciation. That portion of deferred income taxes which relates to amounts included in current assets and liabilities is shown as a current asset or current liability.

Unremitted earnings of the Corporation's foreign subsidiaries amounted to approximately \$12,331,000 at December 31, 1983. Because the unremitted earnings can be repatriated on a tax free basis Canadian income taxes have not been provided for.

Investment tax credits are applied to reduce the income tax provision in the year the credits are allowed for tax purposes.

Retirement Plans

The Corporation and its subsidiaries maintain retirement plans covering full-time employees. Pension expense is accrued and funded currently and includes current costs and, if applicable, amortization of unfunded past service costs.

Earnings (Loss) per Share

Basic earnings (loss) per share were computed by dividing net income (loss) by the weighted average number of common shares outstanding during each period.

Fully diluted earnings (loss) per share were determined on the assumption that convertible debt was converted at the beginning of the year and net income adjusted for the interest saving (net of tax). As the Corporation had a net loss for the nine months ended December 31, 1983, the assumed conversion of convertible debt is anti-dilutive and therefore not relevant in computing fully diluted loss per share.

Earnings (loss) per share computations have been made in accordance with generally accepted accounting principles applicable in Canada. The results of these computations for the nine months ended December 31, 1983 and for the years ended March 31, 1983 and March 31, 1982 made on this basis are substantially the same as those which would have resulted had the computation been made in accordance with generally accepted accounting principles applicable in the United States.

Consolidated Statement of Income and Retained Earnings

(Stated in Canadian Dollars)

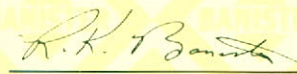
	Nine Months Ended December 31, 1983	Years Ended March 31, 1983	1982
Revenue:			
Construction and services	\$ 97,495,000	\$255,698,000	\$213,783,000
Other income (Note 11)	<u>2,450,000</u>	<u>3,160,000</u>	<u>3,580,000</u>
	<u>99,945,000</u>	<u>258,858,000</u>	<u>217,363,000</u>
Expenses:			
Operating	98,689,000	234,408,000	202,107,000
Depreciation (Note 4)	2,992,000	4,110,000	5,492,000
Interest (Note 12)	99,000	668,000	2,545,000
Selling, administrative and general	<u>6,710,000</u>	<u>10,772,000</u>	<u>10,090,000</u>
	<u>108,490,000</u>	<u>249,958,000</u>	<u>220,234,000</u>
	(8,545,000)	8,900,000	(2,871,000)
Gain on joint venture interests disposed of in a prior year (Note 1)	—	490,000	276,000
Income (loss) before income taxes and extraordinary item	(8,545,000)	9,390,000	(2,595,000)
Income taxes (recoverable) (Note 7)	<u>(4,362,000)</u>	<u>5,332,000</u>	<u>(2,634,000)</u>
Income (loss) before extraordinary item	(4,183,000)	4,058,000	39,000
Recovery of income taxes by utilization of prior years' losses (Note 7)	—	—	4,621,000
Net income (loss)	(4,183,000)	4,058,000	4,660,000
Retained earnings, beginning of year	8,277,000	7,242,000	2,582,000
Dividends (\$.60 per common share)	—	3,023,000	—
Retained earnings, end of year	<u>\$ 4,094,000</u>	<u>\$ 8,277,000</u>	<u>\$ 7,242,000</u>
Earnings (loss) per share:			
Basic:			
Income (loss) before extraordinary item	\$ (.83)	\$.85	\$.01
Net income (loss)	\$ (.83)	\$.85	\$ 1.16
Fully diluted:			
Income (loss) before extraordinary item	\$ (.83)	\$.84	\$.01
Net income (loss)	\$ (.83)	\$.84	\$ 1.13

(See accompanying notes and summary of significant accounting policies)

Consolidated Balance SheetDecember 31, 1983 and March 31, 1983
(Stated in Canadian Dollars)

	December 31, 1983	March 31, 1983
ASSETS		
Current assets:		
Cash and short-term deposits (Note 2)	\$20,959,000	\$24,896,000
Receivables (Note 3)	20,132,000	17,688,000
Recoverable income taxes	273,000	—
Deferred contract costs	1,289,000	3,579,000
Land held for resale	2,667,000	1,985,000
Other current assets	1,995,000	2,850,000
Total current assets	47,315,000	50,998,000
Fixed assets, less accumulated depreciation (Note 4)	35,758,000	38,311,000
Other assets, at cost	671,000	807,000
Excess of cost over net assets at acquisition	6,938,000	6,938,000
	<u>\$90,682,000</u>	<u>\$97,054,000</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Bank loans (Note 5)	\$ 5,280,000	\$ 3,334,000
Other advances (Note 6)	17,662,000	10,500,000
Accounts payable and accrued liabilities	16,470,000	18,075,000
Income taxes payable	177,000	1,042,000
Deferred income taxes	531,000	4,370,000
Unearned revenue and contract advances	782,000	5,417,000
Current portion of long-term debt (Note 8)	289,000	287,000
Total current liabilities	41,191,000	43,025,000
Long-term debt (Note 8)	1,157,000	1,435,000
Deferred income taxes	6,378,000	6,455,000
Contingencies (Note 14)		
Shareholders' equity (Notes 9 and 10):		
Common shares without nominal or par value —		
20,000,000 shares authorized		
5,038,023 shares issued	34,751,000	34,751,000
Contributed surplus	3,111,000	3,111,000
Retained earnings	4,094,000	8,277,000
Total shareholders' equity	41,956,000	46,139,000
	<u>\$90,682,000</u>	<u>\$97,054,000</u>

On behalf of the Board:


 Director


 Director

(See accompanying notes and summary of significant accounting policies)

Consolidated Statement of Changes in Financial Position

(Stated in Canadian Dollars)

	Nine Months Ended December 31, 1983	Years Ended March 31, 1983	1982
Working capital provided by:			
Operations:			
Net income	\$ —	\$ 4,058,000	\$ —
Add (deduct) non-working capital items:			
Depreciation	—	4,110,000	—
Deferred income taxes	—	2,463,000	—
Gain on sale of fixed assets	—	(144,000)	—
Unrealized currency translation losses	—	18,000	—
Total provided by operations	—	10,505,000	—
Recovery of income taxes by utilization of prior years' losses	—	—	4,621,000
Proceeds from sale of fixed assets	2,847,000	1,852,000	5,883,000
Issuance of common shares	—	7,551,000	—
Other	136,000	—	—
	<u>2,983,000</u>	<u>19,908,000</u>	<u>10,504,000</u>
Working capital used for:			
Operations:			
Loss (income) before extraordinary item	4,183,000	—	(39,000)
Add (deduct) non-working capital items:			
Depreciation	(2,992,000)	—	(5,492,000)
Deferred income taxes	77,000	—	4,128,000
Gain on sale of fixed assets	875,000	—	3,396,000
Unrealized currency translation losses	(14,000)	—	—
Total used for operations	2,129,000	—	1,993,000
Additions to fixed assets	2,410,000	3,054,000	3,628,000
Reduction in long-term debt	293,000	7,565,000	2,521,000
Dividends	—	3,023,000	—
Other	—	8,000	57,000
	<u>4,832,000</u>	<u>13,650,000</u>	<u>8,199,000</u>
Increase (decrease) in working capital	<u>\$(1,849,000)</u>	<u>\$ 6,258,000</u>	<u>\$ 2,305,000</u>
Increase (decrease) in working capital by component:			
Cash and short-term deposits	\$(3,937,000)	\$18,805,000	\$ 4,497,000
Receivables	2,444,000	(15,403,000)	7,342,000
Recoverable income taxes	273,000	(368,000)	90,000
Deferred contract costs	(2,290,000)	(15,320,000)	(19,987,000)
Land held for resale	682,000	641,000	(266,000)
Fixed assets held for disposal	—	—	(7,636,000)
Other current assets	(855,000)	40,000	230,000
Bank loans	(1,946,000)	13,188,000	18,486,000
Other advances	(7,162,000)	(10,500,000)	—
Accounts payable and accrued liabilities	1,605,000	1,491,000	643,000
Income taxes payable	865,000	(1,042,000)	—
Deferred income taxes	3,839,000	(1,912,000)	3,089,000
Unearned revenue and contract advances	4,635,000	9,569,000	(3,586,000)
Current portion of long-term debt	(2,000)	7,069,000	(597,000)
Increase (decrease) in working capital	<u>\$(1,849,000)</u>	<u>\$ 6,258,000</u>	<u>\$ 2,305,000</u>

(See accompanying notes and summary of significant accounting policies)

Notes to Consolidated Financial Statements

December 31, 1983 and March 31, 1983 and 1982
(Stated in Canadian Dollars)

NOTE 1. JOINT VENTURES

The Corporation has investments in and advances to joint ventures and has participated in these joint ventures in an effort to spread present-day business risks and to make available to the Corporation increased capital and technological resources.

In 1978, a subsidiary company sold its 50 percent interest in joint ventures to its joint venture partner for an amount subject to adjustment upon final determination of certain assets and liabilities of the joint ventures. Recognition of the results of

the sale in the statement of income was deferred until final settlement could be determined. Final determination of the more significant assets and liabilities of these joint venture interests has been made with the result that the Corporation recognized gains of \$490,000 and \$276,000 for the years ended March 31, 1983 and March 31, 1982 respectively.

The Corporation's pro rata share of the joint venture operations included in the consolidated financial statements is summarized below.

Statement of Income

	Nine Months Ended December 31, 1983	Years Ended March 31,	
		1983	1982
Revenue	\$ 39,452,000	\$ 68,421,000	\$ 72,790,000
Operating expenses	50,783,000	85,289,000	91,681,000
Loss before income taxes	(11,331,000)	(16,868,000)	(18,891,000)
Income taxes	—	—	—
Net loss	<u>\$ (11,331,000)</u>	<u>\$ (16,868,000)</u>	<u>\$ (18,891,000)</u>

Balance Sheet

	December 31, 1983	March 31, 1983
Assets:		
Current assets	<u>\$ 4,364,000</u>	<u>\$ 2,898,000</u>
Liabilities and owner's deficiency:		
Current liabilities	<u>\$ 32,410,000</u>	<u>\$ 25,714,000</u>
Owner's deficiency	<u>(28,046,000)</u>	<u>(22,816,000)</u>
	<u>\$ 4,364,000</u>	<u>\$ 2,898,000</u>

Statement of Changes in Financial Position

	Nine Months Ended December 31, 1983	Years Ended March 31,	
		1983	1982
Working capital provided by:			
Advances from joint venturers	<u>\$ 6,226,000</u>	<u>\$ 3,632,000</u>	<u>\$ 1,206,000</u>
Working capital used for:			
Operations	<u>11,331,000</u>	<u>16,868,000</u>	<u>18,891,000</u>
Return of equity to joint venturers	<u>125,000</u>	<u>5,182,000</u>	<u>873,000</u>
	<u>11,456,000</u>	<u>22,050,000</u>	<u>19,764,000</u>
Decrease in working capital	<u>\$ (5,230,000)</u>	<u>\$ (18,418,000)</u>	<u>\$ (18,558,000)</u>

Notes:

(a) Transactions between the joint ventures and the Corporation have been eliminated in the consolidated financial statements including equipment rentals charged by the Corporation amounting to \$143,000 for the nine months ended December 31, 1983 and \$510,000, and \$1,070,000, for fiscal years ended March 31, 1983 and March 31, 1982 respectively.

(b) Income taxes applicable to the income or losses of unincorporated joint ventures are not provided in the ventures' accounts but are included, to the extent of the Corporation's share, in its consolidated statement of income.

NOTE 2. CASH AND SHORT-TERM DEPOSITS

Cash and short-term deposits are made up of:

	December 31, 1983	March 31, 1983
Cash on hand and in bank	\$ 333,000	\$ 2,709,000
Short-term deposits	20,626,000	22,187,000
	<u>\$20,959,000</u>	<u>\$24,896,000</u>

At December 31, 1983, short-term deposits include collateral deposits amounting to \$500,000 securing a bank letter of credit issued to a third party.

Short-term deposits at March 31, 1983 include collateral deposits amounting to \$4,235,000 which were restricted as to withdrawal. Such amounts secured bank advances to a joint venture of the Corporation and a bank letter of credit issued to a third party.

NOTE 3. RECEIVABLES

Receivables include holdbacks receivable amounting to \$8,447,000 at December 31, 1983 and \$10,216,000 at March 31, 1983.

The balances billed but not paid by customers pursuant to retainage provisions in construction contracts will be due upon completion and

acceptance of the contract. Based on the Corporation's experience with similar contracts in recent years \$8,072,000 of the balance at December 31, 1983 is expected to be collected in the year ending December 31, 1984 and the remainder in subsequent years.

NOTE 4. FIXED ASSETS

The cost and net book value of fixed assets (in thousands) are as follows:

	Cost		Net Book Value	
	December 31, 1983	March 31, 1983	December 31, 1983	March 31, 1983
Land and buildings	\$ 6,262	\$ 6,546	\$ 5,194	\$ 5,585
Construction equipment	64,114	65,288	30,123	32,220
Other	1,188	1,185	441	506
	<u>\$71,564</u>	<u>\$73,019</u>	<u>\$35,758</u>	<u>\$38,311</u>

NOTE 5. BANK LOANS

The Corporation has an operating line of credit of \$26,500,000 of which \$7,826,000 was unused at December 31, 1983 and an \$8,000,000 revolving term line which reduces at \$2,000,000 per year on April 1. Operating lines of credit used, amounting to \$18,674,000, include bank loans of \$5,280,000 and \$13,394,000 for letters of credit which principally

relate to non-bank indebtedness of a joint venture. As collateral security the Corporation has given an assignment of accounts receivable and a \$35,000,000 debenture providing a fixed and specific mortgage on all land, buildings, and major marine equipment and a floating charge covering all other assets.

NOTE 6. OTHER ADVANCES

Other advances comprise the Corporation's \$17,662,000 share of indebtedness of a joint venture, payable on or before August 31, 1984, which is secured by bank letters of credit issued in favour of the creditor. The bank letters of credit are secured by a floating charge debenture on joint venture assets, which are included in deferred contract costs, and the debenture granted by the Corporation referred to in Note 5.

NOTE 7. INCOME TAXES

The components of the income (loss) before income taxes and extraordinary item are as follows:

	Nine Months Ended December 31, 1983	Years Ended March 31,	
		1983	1982
Canadian	\$(8,425,000)	\$9,927,000	\$(14,299,000)
Foreign	<u>(120,000)</u>	<u>(537,000)</u>	<u>11,704,000</u>
	<u>\$(8,545,000)</u>	<u>\$9,390,000</u>	<u>\$ (2,595,000)</u>

Components of the provision for income taxes are as follows:

	Nine Months Ended December 31, 1983	Years Ended March 31,	
		1983	1982
Current:			
Canadian — Federal	\$ —	\$ 666,000	\$ 1,000
— Provincial	—	259,000	—
Foreign	<u>61,000</u>	<u>32,000</u>	<u>4,582,000</u>
	<u>61,000</u>	<u>957,000</u>	<u>4,583,000</u>
Deferred:			
Canadian — Federal	(3,221,000)	3,238,000	(5,471,000)
— Provincial	<u>(1,202,000)</u>	<u>1,137,000</u>	<u>(1,746,000)</u>
	<u>(4,423,000)</u>	<u>4,375,000</u>	<u>(7,217,000)</u>
Income taxes (recoverable)	<u>\$(4,362,000)</u>	<u>\$ 5,332,000</u>	<u>\$ (2,634,000)</u>

NOTE 7. INCOME TAXES (continued)

The following is a reconciliation between the normal Canadian federal statutory tax rate and the consolidated effective tax rate:

	Nine Months Ended December 31, 1983	Years Ended March 31,	
		1983	1982
Canadian federal income tax rate	(46.9)%	47.8%	(47.8)%
Expenses (income) not included for income tax purposes	2.4	3.3	(48.0)
Operating losses for which no tax recoveries are currently available	1.3	3.1	—
Exchange translation losses (gains)	—	—	2.6
Tax rate differential relating to the use of losses or tax loss carrybacks	(1.1)	—	16.0
Tax exempt portion of capital loss (gain)	(0.8)	—	4.4
Other including provincial rate differentials	(5.9)	2.6	(28.7)
Consolidated effective tax rate	<u>(51.0)%</u>	<u>56.8%</u>	<u>(101.5)%</u>

Deferred income tax expense (recovery) results from timing differences in the recognition of revenue and expense for tax and financial

statement purposes. The source of these differences and the income tax effect of each was as follows:

	Nine Months Ended December 31, 1983	Years Ended March 31,	
		1983	1982
	(thousands of dollars)		
Depreciation:			
Differences between tax and book depreciation	\$ (930)	\$ (603)	\$ 39
Long-term contracts including joint ventures:			
Use of percentage completion for financial purposes and use of billings less costs excluding contractual holdbacks for tax purposes	(892)	(8,298)	(2,226)
Loss provisions charged to expense for financial purposes but not deductible until incurred	(6,109)	284	(10,347)
Reserve for equipment overhauls:			
Charged to expense for financial purposes but not deductible until paid	(216)	168	(355)
Capitalized interest:			
Capitalized for financial purposes but deducted for tax purposes as incurred	—	344	3,285
Loss carryforwards:			
Benefits recognized for tax purposes which were previously recognized for financial purposes	4,385	12,513	1,892
Other:			
Expenses accrued or deferred for financial purposes, deducted for tax purposes as paid	(661)	(33)	495
Deferred income tax expense (recovery)	<u>\$ (4,423)</u>	<u>\$ 4,375</u>	<u>\$ (7,217)</u>

NOTE 7. INCOME TAXES (continued)

Certain United States subsidiaries have operating loss carryforwards for tax purposes, for which no accounting tax benefit has been recognized, of approximately \$15,111,000 available to reduce future years' taxable income and which expire as follows: \$14,150,000 — 1996; \$961,000 — 1997.

The Corporation's United States subsidiaries have investment tax credit carryovers of approximately \$206,000 available to reduce future U.S. Federal income taxes and expire between 1990 and 1994.

In the year ended March 31, 1982, operating loss carryforwards of one of the Corporation's United States subsidiaries, for which no accounting tax benefit had previously been recognized, were applied against taxable income. Income taxes otherwise payable were reduced by \$4,621,000 which has been reflected as an extraordinary item in the statement of income.

NOTE 8. LONG-TERM DEBT

	<u>December 31, 1983</u>	<u>March 31, 1983</u>
5½% U.S. dollar convertible subordinated debenture (U.S. \$1,162,500 at December 31, 1983; U.S. \$1,395,000 at March 31, 1983) payable to a company controlled by a director of the Corporation, repayable in equal annual instalments of U.S. \$232,500 maturing December 31, 1988 convertible at the holder's option at U.S. \$10.91 per share into 106,554 (127,864 at March 31, 1983) shares of common stock	<u>\$1,446,000</u>	<u>\$1,722,000</u>
Less amount due within one year	<u>289,000</u>	<u>287,000</u>
	<u><u>\$1,157,000</u></u>	<u><u>\$1,435,000</u></u>

The principal repayments of long-term debt over each of the next five years are as follows:

1984 — \$289,000; 1985 — \$289,000;
1986 — \$289,000; 1987 — \$289,000;
1988 — \$290,000.

NOTE 9. COMMON SHARES

During the year ended March 31, 1983, 1,000,000 common shares of the Corporation were issued to Trimac Limited for a cash consideration of \$7,500,000. See Note 15 "Trimac Purchase Agreement" for further details. Also in the year ended March 31, 1983, 10,000 common shares of

the Corporation were issued for \$50,625 to an officer of the Corporation.

At December 31, 1983, 106,554 common shares were reserved for issuance for potential conversion of the 5½% U.S. dollar convertible subordinated debenture.

NOTE 10. STOCK OPTIONS

The Corporation granted options to purchase shares of the Corporation to officers and other key employees under a stock option plan which lapsed in 1979. These options became exercisable in four equal cumulative instalments beginning one year

after the date of grant and expired five years after the date of grant. No options can be exercised under this plan after November 10, 1983.

The details of outstanding and exercisable options are as follows:

	Nine Months Ended December 31, 1983	Years Ended March 31,	
		1983	1982
Option price per share	\$ 9.13	\$ 9.13	\$ 9.13
Options outstanding beginning of period	11,274	12,837	13,387
Exercised for cash in lieu of shares	—	1,500	—
Expired and cancelled	11,274	63	550
Options outstanding end of period	<u>NIL</u>	<u>11,274</u>	<u>12,837</u>
Options exercisable beginning of period	11,274	9,614	5,341
Became exercisable	—	3,223	4,823
Exercised	—	1,500	—
Exercisable options cancelled and expired	11,274	63	550
Options exercisable at end of period	<u>NIL</u>	<u>11,274</u>	<u>9,614</u>

NOTE 11. OTHER INCOME

Other income consists of:

	Nine Months Ended December 31, 1983	Years Ended March 31,	
		1983	1982
Interest	\$1,291,000	\$1,166,000	\$ 369,000
Pension plan surplus refund (Note 13)	—	1,757,000	—
Gain on sale of fixed assets	875,000	144,000	3,396,000
Foreign exchange losses	(22,000)	(118,000)	(355,000)
Other	306,000	211,000	473,000
Loss on sale of fixed assets held for disposal	—	—	(303,000)
	<u>\$2,450,000</u>	<u>\$3,160,000</u>	<u>\$3,580,000</u>

NOTE 12. INTEREST CAPITALIZED

Total interest cost incurred amounted to \$99,000 for the nine months ended December 31, 1983 and \$1,369,000 and \$9,114,000 for the years ended March 31, 1983 and 1982 respectively. Interest capitalized on long-term construction projects amounted to \$701,000 and \$6,569,000 for the years

ended March 31, 1983 and 1982 respectively. As losses were forecast on the projects, these amounts were included in the loss provisions made in these years. No interest was capitalized for the nine months ended December 31, 1983.

NOTE 13. RETIREMENT PLANS

The cost of retirement plans was approximately \$718,000 for the nine months ended December 31, 1983 and \$826,000 and \$458,000 for the years ended March 31, 1983 and 1982 respectively. During the year ended March 31, 1983 a non-contributory plan was implemented wherein all contributions are made by the Corporation. In prior years contributions were made by both the plan members and the Corporation.

Based on the most recent actuarial review, the plan assets available for benefits and the present value of pension plan benefits at December 31, 1983 were as follows:

Plan assets available for benefits	\$10,311,000
Present value of pension plan benefits — vested	8,482,000
— nonvested	627,000
	<u>9,109,000</u>
Plan surplus at valuation date	<u>\$ 1,202,000</u>

The assumed rate of return used in determining the present value of pension plan benefits is 5% per annum.

During the year ended March 31, 1983, the Corporation terminated the retirement plans of subsidiary companies and established a new plan. Consequently a portion of the plan surplus

amounting to \$1,757,000, resulting primarily from employee retirements and terminations in connection with relocation of a division's offices, was paid to the Corporation with the approval of Government regulatory authorities. This amount is included in other income for the year ended March 31, 1983.

NOTE 14. CONTINGENCIES

(a) The Corporation has a 50% interest in Dalcan Constructors, a joint venture established to carry out the Revelstoke Dam project scheduled for completion in 1984. At December 31, 1983 the project was approximately 98% complete. It is now estimated that the Corporation's share of the loss on the project will be \$49,400,000 (\$24,177,000 net of tax) of which a total of \$38,100,000 (\$18,623,000 net of tax) was provided for in prior fiscal years. The additional \$11,300,000 loss provision (\$5,554,000 net of tax) is reflected in the Corporation's financial statements for the fiscal period ended December 31, 1983. The increase in the loss provision is a result of higher than anticipated operating costs during this period and a further assessment of the costs and revenues to completion of the contract.

The Corporation is jointly and severally liable for the obligations of its joint venture partners in all respects of the Revelstoke Dam project relating to the owner. A joint venture partner with a 15% interest in Dalcan Constructors has not fully complied with financial commitments required of the partners. Due to the continuing inability of this partner to meet their commitments, management believes that it is prudent to provide for the additional loss of \$2,267,000 (\$1,114,000 net of tax) that could be incurred by the Corporation. This amount is included in the current period's loss provision.

In arriving at the projected contract loss, no recognition has been given to claims submitted and to be submitted to the owner for additional contract compensation, relating to substantial extra costs, aggregating approximately \$110,000,000 (\$57,000,000 Corporation's share), as such claims have not been resolved. The joint venture has agreed not to commence legal action with respect to these claims until the earlier of completion of the contract or August 31, 1984. The projected loss does not include amounts which become payable to the owner as penalties and indemnification for failure to achieve key construction schedule dates over the remainder of the contract. The joint venture has been advised by the owner that a portion of the contingent obligation will be formally reduced and extinguished upon and subject to the execution of appropriate supplementary agreements by each of the joint venture partners and to the receipt of consents from sureties, all in form satisfactory to the owner. This portion amounts to approximately \$14,400,000 (\$8,471,000 Corporation's share). The joint venture is entitled to the reduction of the remaining contingent obligation of approximately \$6,600,000 (\$3,882,000 Corporation's share) upon completion of certain portions of work and contract completion by specified dates. Although portions of work referable to two of these dates were completed late,

NOTE 14. CONTINGENCIES (continued)

the owner has indicated that it is considering requests from the joint venture to grant time extensions. Management believes that the required supplementary agreements will be executed and consents issued, that the requests for time extensions will be granted and the remaining schedule dates will be met.

(b) During fiscal 1981, Banister Pipelines America, a division of the Corporation's U.S. subsidiary, was awarded contracts by Northwest Pipeline Corporation to construct approximately 110 miles of pipeline in the state of Oregon. The job was substantially complete in fiscal 1981 and legal action against the client was commenced on June 24, 1981 to recover approximately U.S. \$30 million for additional expenses incurred, lost profits, damages, and interest thereon. The trial commenced on November 15, 1982 and on February 13, 1983 Banister Pipelines America obtained a jury award of U.S. \$12,842,662.38 against Northwest Pipeline Corporation. On April 12, 1983, the Court denied Northwest Pipeline Corporation's motions for mistrial and reversal of the jury verdict. On October 18, 1983, Northwest Pipeline Corporation filed an appeal of the verdict to the Court of Appeals of the State of Oregon. The Corporation filed a response and cross appeal of the verdict on December 20, 1983, seeking to increase the award to approximately U.S. \$16.7 million, being the amount originally determined by the jury and reduced by the trial judge. On February 13, 1984 the Appellants Reply Brief and Answering Brief on Cross Appeal was filed. The argument on appeal is expected to be heard in May of 1984. Interest on the amount of the ultimate judgement will accrue at 9% per annum from February 13, 1983. In accordance with the Corporation's accounting policies, no recovery will be reflected in the Corporation's financial statements until the matter is resolved. Federal U.S. taxes will not be payable on any such recovery to the extent that tax loss carryforwards and investment tax credits, referred to in Note 7, can be utilized.

(c) The Corporation is involved in other claims and litigation primarily arising in the normal course of its business for the reimbursement of costs of additional work and of additional costs incurred because of changed conditions. Any settlements or awards will be reflected in income as the matters are resolved.

(d) The Corporation is contingently liable for the usual contractor's obligations relating to performance and completion of construction contracts and for the obligations of its associates in unincorporated joint ventures.

NOTE 15. TRIMAC PURCHASE AND OPTION AGREEMENTS

On April 14, 1982, the Corporation entered into a Share Purchase and Standstill Agreement (the "Purchase Agreement") with Trimac Limited ("Trimac") which provided for the sale by the Corporation to Trimac of 1,000,000 common shares at a price of \$7.50 per share. This transaction was completed on July 6, 1982.

Concurrently with the execution of the Purchase Agreement, a director of the Corporation and Elmbridge Limited, a company controlled by the same director (the "Banister Group"), entered into an Option Agreement with Trimac and a subsidiary of Trimac which, among other things, provided Trimac with an option exercisable until December 31, 1983 to acquire all the common shares owned beneficially (21.1% of the current outstanding common shares of the Corporation) by the Banister Group at the greater of market price or \$12 per share and unless the parties otherwise agreed, required Trimac, had it exercised its option, to make a "follow-up offer" of equivalent value to the other shareholders of the Corporation.

Trimac did not exercise its option to acquire the common shares owned by the Banister Group. The Purchase Agreement provides that, in this case, until December 31, 1985,

- (a) The Corporation is prohibited from issuing any common shares, other than pursuant to existing agreements, except that shares may be issued for cash in a rights offering to all shareholders or if Trimac is given a right of first refusal with respect thereto; and
- (b) Trimac and the Banister Group are prohibited, without the consent of the other, from disposing of any of the Corporation's common shares except through a bona fide underwritten public offering; and
- (c) Trimac and the Banister Group are prohibited, without the consent of the other, from acquiring any of the Corporation's common shares.

If an unaffiliated person acquires or announces that he intends to acquire at least 15% of the Corporation's common shares, the prohibition in (a) above is extended to December 31, 1986, and the prohibition in (c) above is terminated.

NOTE 16. BUSINESS SEGMENTS

The Corporation operates in three industry segments: pipeline construction, civil engineering construction, and underground utilities construction.

Pipeline construction includes the construction, upgrading and testing of pipelines, gathering systems and distribution systems for the oil and gas industry. Since March 31, 1981, major pipeline construction activities have taken place only in Canada. During prior years, pipeline construction was active in Canada, the United States, and the Middle East.

Through its Pitts Engineering Construction division, the Corporation engages in civil engineering construction primarily for

governments at all levels. Pitts does both dryland and marine work, specializing in the construction of large-scale energy developments, multilane highways, bridges, dams, tunnels and marine construction. To date, all civil engineering construction has been carried out in Canada.

Underground utilities construction operations are conducted by Cliffside Pipelayers, a division of the Corporation. Cliffside's work consists of the construction of all types of public utility systems in Metropolitan Toronto and throughout Ontario.

During the nine months ended December 31, 1983, civil construction activities derived \$63,222,000 of revenue from government agencies in Canada.

Industry Segments (in thousands)

	Pipeline Construction		
	Nine Months Ended December 31,	Years Ended March 31,	
	1983	1983	1982
Revenue from outside sources	<u>\$ 11,100</u>	<u>\$109,636</u>	<u>\$ 60,802</u>
Segment operating profit (loss)	<u>\$ 3,011</u>	<u>\$ 22,264</u>	<u>\$ 18,774</u>
Interest expense			
Gain on disposal of joint venture operations			
Income taxes (provided) recoverable			
Recovery of income taxes by utilization of prior years' losses			
Net income (loss)			
Identifiable assets	<u>\$ 41,828</u>	<u>\$ 47,114</u>	<u>\$ 38,130</u>
Capital expenditures	<u>\$ 793</u>	<u>\$ 619</u>	<u>\$ 2,453</u>
Depreciation and amortization	<u>\$ 1,027</u>	<u>\$ 1,371</u>	<u>\$ 2,285</u>

Geographic Segments (in thousands)

Revenue from outside sources	
Segment operating profit (loss)	
Interest expense	
Gain on disposal of joint venture operations	
Income taxes (provided) recoverable	
Recovery of income taxes by utilization of prior years' losses	
Net income (loss)	
Identifiable assets	

During the year ended March 31, 1983, civil construction activities derived \$103,687,000 of revenue from government agencies in Canada. During the same period, pipeline operations derived \$94,485,000 of revenue on two contracts for one client which accounted for more than ten percent of consolidated revenue.

During the year ended March 31, 1982, civil construction activities derived \$102,157,000 and pipeline activities derived \$1,023,000 of revenue from Canadian governments or government agencies. During this same period revenue from pipeline activities in the amount of \$22,961,000 was derived from one client, which accounted for more than ten percent of consolidated revenue.

Civil Engineering Construction

Nine Months Ended December 31,	Years Ended March 31,	
	1983	1982
<u>1983</u>	<u>1983</u>	<u>1982</u>
\$ 63,553	\$117,022	\$119,124
<u>\$(12,532)</u>	<u>\$(13,857)</u>	<u>\$(19,635)</u>
\$ 32,489	\$ 34,224	\$ 56,985
<u>\$ 59</u>	<u>\$ 912</u>	<u>\$ 519</u>
<u>\$ 1,234</u>	<u>\$ 1,888</u>	<u>\$ 1,940</u>

Utility Construction

Nine Months Ended December 31,	Years Ended March 31,	
	1983	1982
<u>1983</u>	<u>1983</u>	<u>1982</u>
\$ 25,292	\$ 32,200	\$ 37,437
<u>\$ 1,075</u>	<u>\$ 1,161</u>	<u>\$ 535</u>
\$ 16,365	\$ 15,716	\$ 16,300
<u>\$ 1,558</u>	<u>\$ 1,523</u>	<u>\$ 656</u>
<u>\$ 731</u>	<u>\$ 851</u>	<u>\$ 1,267</u>

Consolidated

Nine Months Ended December 31,	Years Ended March 31,	
	1983	1982
<u>1983</u>	<u>1983</u>	<u>1982</u>
\$ 99,945	\$258,858	\$217,363
<u>\$ (8,446)</u>	<u>\$ 9,568</u>	<u>\$ (326)</u>
(99)	(668)	(2,545)
—	490	276
4,362	(5,332)	2,634
—	—	4,621
<u>\$ (4,183)</u>	<u>\$ 4,058</u>	<u>\$ 4,660</u>
\$ 90,682	\$ 97,054	\$111,415
<u>\$ 2,410</u>	<u>\$ 3,054</u>	<u>\$ 3,628</u>
<u>\$ 2,992</u>	<u>\$ 4,110</u>	<u>\$ 5,492</u>

Domestic

Nine Months Ended December 31,	Years Ended March 31,	
	1983	1982
<u>1983</u>	<u>1983</u>	<u>1982</u>
\$ 99,602	\$258,402	\$198,025
<u>\$ (8,326)</u>	<u>\$ 10,595</u>	<u>\$(13,128)</u>
\$ 90,034	\$ 96,102	\$109,745

Foreign

Nine Months Ended December 31,	Years Ended March 31,	
	1983	1982
<u>1983</u>	<u>1983</u>	<u>1982</u>
\$ 343	\$ 456	\$ 19,338
<u>\$ (120)</u>	<u>\$ (1,027)</u>	<u>\$ 12,802</u>
\$ 648	\$ 952	\$ 1,670

Consolidated

Nine Months Ended December 31,	Years Ended March 31,	
	1983	1982
<u>1983</u>	<u>1983</u>	<u>1982</u>
\$ 99,945	\$258,858	\$217,363
<u>\$ (8,446)</u>	<u>\$ 9,568</u>	<u>\$ (326)</u>
(99)	(668)	(2,545)
—	490	276
4,362	(5,332)	2,634
—	—	4,621
<u>\$ (4,183)</u>	<u>\$ 4,058</u>	<u>\$ 4,660</u>
\$ 90,682	\$ 97,054	\$111,415

Auditors' Report

To the Shareholders Banister Continental Ltd.:

We have examined the accompanying consolidated balance sheet of Banister Continental Ltd. as at December 31, 1983 and the consolidated statements of income and retained earnings and changes in financial position for the nine months ended December 31, 1983 and the years ended March 31, 1983 and March 31, 1982. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1983 and March 31, 1983 and the results of its operations and changes in its financial position for the nine months ended December 31, 1983 and the years ended March 31, 1983 and March 31, 1982 in accordance with accounting principles generally accepted in Canada applied on a consistent basis during the period.

Arthur Young, Clarkson, Gordon & Co.

Chartered Accountants
Edmonton, Canada
February 22, 1984

Comment on Differences in Canada- United States Reporting Standards

In the United States, reporting standards for auditors require the expression of an opinion qualified as being subject to the outcome of significant uncertainties affecting the financial statements such as those referred to in the accompanying balance sheet as at December 31, 1983 and as described in Notes 14(a) and (b) to the financial statements. The above opinion is expressed in accordance with Canadian standards and is not qualified with respect to, and provides no reference to, these uncertainties since such an opinion would not be in accordance with Canadian reporting standards for auditors when the uncertainties are adequately disclosed in the financial statements.

Arthur Young, Clarkson, Gordon & Co.

Chartered Accountants
Edmonton, Canada
February 22, 1984

Market for Common Shares

The common shares of Banister Continental Ltd. are traded on the American Stock Exchange in the United States and the Toronto, Montreal, and Alberta Stock Exchanges in Canada. Following is a schedule of high and low share prices, by quarter, for the nine months ended December 31, 1983 and the year ended March 31, 1983 on the Toronto Stock Exchange and the American Stock Exchange.

a) on the Toronto Stock Exchange
(in Canadian \$)

Quarter ended:

June 30	9 ⁷ / ₈	8
September 30	8 ³ / ₄	7
December 31	9	6
March 31	—	—

b) on the American Stock Exchange
(in U.S. \$)

Quarter ended:

June 30	7 ⁷ / ₈	6 ¹ / ₂
September 30	7 ¹ / ₄	5 ⁵ / ₈
December 31	7 ¹ / ₄	4 ⁷ / ₈
March 31	—	—

**Fiscal Period Ended
December 31, 1983**

High Low

9⁷/₈ 8
8³/₄ 7
9 6
— —

**Fiscal Year Ended
March 31, 1983**

High Low

8¹/₂ 6
8 6
10¹/₂ 6³/₄
10¹/₂ 8

**Fiscal Period Ended
December 31, 1983**

High Low

7⁷/₈ 6¹/₂
7¹/₄ 5⁵/₈
7¹/₄ 4⁷/₈
— —

**Fiscal Year Ended
March 31, 1983**

High Low

6⁷/₈ 4³/₄
6⁵/₈ 4⁵/₈
8⁵/₈ 5¹/₂
8⁵/₈ 6³/₈

As of December 31, 1983 there were 2,598 holders of record of the Corporation's shares, as shown on the records maintained by the Corporation's Registrar and Transfer Agent.

No dividends were declared during the nine months ended December 31, 1983 nor during the fiscal year ended March 31, 1982. A special non-recurring dividend of 60 cents Canadian per common share was declared in the fourth quarter of the fiscal year ended March 31, 1983.

The Foreign Investment Review Act of Canada contains restrictions on the acquisition of control of the Corporation by persons who are not Canadian citizens or by non-eligible persons or groups, as defined therein.

Pursuant to the Income Tax Act of Canada, non-resident shareholders are subject to a 25% withholding tax on any dividend paid by the Corporation. As a result of tax conventions with the United States of America and certain other countries, the rate of withholding tax for residents of the United States and such other countries is reduced to 15%.

Selected Financial Data

(Stated in Canadian Dollars Except for Exchange Rates)

	For the Nine Months Ended December 31,	For the Years Ended March 31,			
	1983	1983	1982	1981	1980
Revenue	<u>\$99,945,000</u>	<u>\$258,858,000</u>	<u>\$217,363,000</u>	<u>\$146,476,000</u>	<u>\$121,980,000</u>
Net income (loss)	<u>\$(4,183,000)</u>	<u>\$ 4,058,000</u>	<u>\$ 4,660,000</u>	<u>\$(14,537,000)</u>	<u>\$ (5,417,000)</u>
Income (loss) from continuing operations before extraordinary item	<u>\$(4,183,000)</u>	<u>\$ 4,058,000</u>	<u>\$ 39,000</u>	<u>\$(14,725,000)</u>	<u>\$ (6,976,000)</u>
Earnings (loss) from continuing operations before extraordinary item per common share:					
Basic	<u>\$ (.83)</u>	<u>\$.85</u>	<u>\$.01</u>	<u>\$ (3.67)</u>	<u>\$ (1.74)</u>
Fully diluted	<u>\$ (.83)</u>	<u>\$.84</u>	<u>\$.01</u>	<u>\$ (3.67)</u>	<u>\$ (1.74)</u>
Total assets	<u>\$90,682,000</u>	<u>\$ 97,054,000</u>	<u>\$111,415,000</u>	<u>\$131,439,000</u>	<u>\$134,345,000</u>
Long-term debt	<u>\$ 1,157,000</u>	<u>\$ 1,435,000</u>	<u>\$ 8,982,000</u>	<u>\$ 11,503,000</u>	<u>\$ 29,527,000</u>
Cash dividends declared per common share	<u>\$ —</u>	<u>\$.60</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$.17</u>
Weighted average number of common shares	<u>5,038,023</u>	<u>4,767,000</u>	<u>4,028,000</u>	<u>4,014,000</u>	<u>4,017,000</u>
Exchange rates (U.S. Dollar equivalent of \$1 Canadian):					
End of period rate	<u>\$.8036</u>	<u>\$.8104</u>	<u>\$.8171</u>	<u>\$.8426</u>	<u>\$.8393</u>
Average rate for period	<u>\$.8104</u>	<u>\$.8076</u>	<u>\$.8317</u>	<u>\$.8501</u>	<u>\$.8576</u>
High rate for period	<u>\$.8162</u>	<u>\$.8189</u>	<u>\$.8487</u>	<u>\$.8730</u>	<u>\$.8756</u>
Low rate for period	<u>\$.8001</u>	<u>\$.7726</u>	<u>\$.8056</u>	<u>\$.8305</u>	<u>\$.8393</u>

Note:

Earnings (loss) per share for the five fiscal periods are computed as stated in the summary of significant accounting policies. Earnings (loss) per share so computed are in accordance with generally accepted accounting principles applicable in Canada and are substantially the same as those which would have resulted had the computation been made in accordance with the principles applicable in the United States.

Reference is made to the Corporation's summary of significant accounting policies for a description of the comparative financial results for the nine months ended December 31, 1982 and 1981.

CORPORATE INFORMATION

Board of Directors

R.K. Banister
Chairman & Chief Executive Officer
Banister Continental Ltd.

H.B. Banister
Vice President, Planning, Equipment,
& Business Development
Banister Continental Ltd.

W.M. Bateman
President & Chief Operating Officer
Banister Continental Ltd.

R. Bernstein**
Partner
Bear, Stearns & Co.

N. Fraser**
Vice President
Pitfield, Mackay, Ross Limited

J.R. McCaig*
Chairman & Chief Executive Officer
Trimac Limited

S.A. Milner*
President & Chief Executive Officer
Chieftain Development Co. Ltd.

A.M. Shoults*
Chairman
CHQT Broadcasting Ltd.

G.A. Van Wielingen**
Chairman & Chief Executive Officer
Sulpetro Limited

A. Vanden Brink
President & Chief Operating Officer
Trimac Limited

* Members of the Audit Committee
** Members of the Compensation
Committee

Banks

Royal Bank of Canada
First National Bank of Chicago

Bonding Company

Seaboard Surety Company

Auditors

Arthur Young, Clarkson,
Gordon & Co.

Officers

R.K. Banister
Chairman & Chief Executive Officer

W.M. Bateman
President & Chief Operating Officer

E.R. Austin
Group Vice President, Utilities

R. MacTavish
Executive Vice President
& Chief Financial Officer

R.F.C. Marriott
Group Vice President, Pipelines

H.B. Banister
Vice President, Planning, Equipment,
& Business Development

C.N. D'Croix
Vice President, Administration, Utilities

D. Flynn
Vice President, Labour Relations

J. Lech
Vice President & Controller

J.W. Wright
Vice President, Administration
& Treasurer

F.A.M. Tremayne
Secretary & General Counsel

Registrar & Transfer Agents

Guaranty Trust Company of Canada
401 - 9 Avenue S.W.
Calgary, Alberta T2P 3C5
88 University Avenue
Toronto, Ontario M5J 1T8
427 St. James Street West
Montreal, Quebec J8X 2K1

Morgan Guaranty Trust Company
of New York
30 West Broadway
New York, New York 10015

Common Stock Listed on

Alberta Stock Exchange
Montreal Stock Exchange
Toronto Stock Exchange
American Stock Exchange
Stock Symbols are BAC
(ASE, TSE, MSE) and BAN (AMEX)

Executive Offices

Banister Continental Ltd.
9910 - 39 Avenue
Edmonton, Alberta T6E 5H8
Phone: (403) 462-9430
Telex: 037-2380

Divisions

Banister Pipelines
9910 - 39 Avenue
Edmonton, Alberta T6E 5H8
Phone: (403) 462-9430
Telex: 037-2380

Pitts Engineering Construction
9910 - 39 Avenue
Edmonton, Alberta T6E 5H8
Phone: (403) 462-9430
Telex: 037-2380

Pitts Engineering Construction
(Eastern Division)
Suite 300, 7500 Woodbine Avenue
Markham, Ontario L3R 4M8
Phone: (416) 474-0404
Telex: 06-986236

Cliffside Pipelayers
3660 Midland Avenue
Scarborough, Ontario M1S 3B2
Phone: (416) 293-7004
Telex: 065-25276

Affiliates

Banister Fairclough Mining
9910 - 39 Avenue
Edmonton, Alberta T6E 5H8
Phone: (403) 462-9430
Telex: 037-2380

Joint Ventures

Bantrel Group, Engineers
& Constructors
13th Floor, Trimac House
800 - 5 Avenue S.W.
Calgary, Alberta T2P 2P9
Phone: (403) 298-5330
Telex: 038-22653
038-25633

Dalcan Constructors
P.O. Box 1269
Revelstoke, British Columbia V0E 2S0
Phone: (604) 837-4921
Telex: 048-87524

